

PROPOSITION 86

Date: July 20, 2006

Tax on Cigarettes.

Initiative Constitutional Amendment and Statute.

Proponent: Paul Knepprath

BALLOT LABEL

TAX ON CIGARETTES.

INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

Imposes additional \$2.60 per pack excise tax on cigarettes and indirectly increases taxes on other tobacco products. Provides funding for various health programs, children's health coverage, and tobacco-related programs. Fiscal impact: Increase in excise tax revenues of about \$2.1 billion annually in 2007-08 spent for the specified purposes outlined above. Other potentially significant costs and savings for state and local governments due to program changes.

**SUBJECT TO COURT
ORDERED CHANGES**

PROPOSITION 86

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Proponent: Paul Knepprath

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BALLOT TITLE AND SUMMARY

TAX ON CIGARETTES.

INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE

- Imposes additional 13 cent tax on each cigarette distributed (\$2.60 per pack), and indirectly increases tax on other tobacco products.
- Provides funding to qualified hospitals for emergency services, nursing education and health insurance to eligible children.
- Revenue also allocated to specified purposes including tobacco-use-prevention programs, enforcement of tobacco-related laws, and research, prevention, treatment of various conditions including cancers (breast, cervical, prostate, colorectal), heart disease, stroke, asthma and obesity.
- Exempts recipient hospitals from antitrust laws in certain circumstances.
- Revenue excluded from appropriation limits and minimum education funding (Proposition 98) calculations.

Summary of Estimate by Legislative Analyst's

Estimate of Net State and Local Government Fiscal Impact:

- Increase in new state tobacco excise tax revenues of about \$2.1 billion annually by 2007-08, declining slightly annually thereafter. Those revenues would be spent for various health programs, children's health coverage, and tobacco-related programs.
- Unknown net state costs potentially exceeding \$100 million annually after a few years due to provisions simplifying state health program enrollment rules and creating a new pilot program for children's health coverage.
- Unknown, but potentially significant, savings to the state Medi-Cal Program and counties from a shift of children from other health care coverage to the Healthy Families Program (HFP); potential state costs that could be significant in the long term for ongoing support of expanded HFP enrollment.
- Unknown, but potentially significant, savings in state and local government public health care costs over time due to various factors, including an expected reduction in consumption of tobacco products.

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